

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2008-117-E - ORDER NO. 2008-468

JULY 2, 2008

IN RE: Joint Application of Duke Energy Carolinas, LLC, North Carolina Electric Membership Corporation and Saluda River Cooperative, Incorporated to Amend the Certificate of Environmental Compatibility and Public Convenience and Necessity for Catawba Nuclear Station) ORDER APPROVING AMENDMENT OF CERTIFICATE AND OTHER RELIEF)
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This matter comes before the Public Service Commission of South Carolina (“Commission”) on the Joint Application of Duke Energy Carolinas, LLC (“Duke”), North Carolina Electric Membership Corporation (“NCEMC”), and Saluda River Electric Cooperative, Inc. (“Saluda River”) (together, the “Joint Applicants”) for approval to amend the Certificate of Environmental Compatibility and Public Convenience and Necessity (“Certificate”) of the Catawba Nuclear Station to reflect the transfer of Saluda River’s interest in the Catawba Nuclear Station to Duke and NCEMC. The Application is made pursuant to S.C. Code Ann. Section 58-33-110 (1976), and other applicable Rules, Regulations, and Statutes.

Pursuant to instructions from the Commission’s Docketing Department, the Joint Applicants published a Notice of Filing in newspapers of general circulation in the Joint Applicant’s service areas. No Protests or Petitions to Intervene were filed.

On October 12, 1973, this Commission issued Order No. 17,167 in Docket No. 16,810 in which we granted to Duke Power Company a Certificate to construct the Catawba Nuclear Station and Transmission system to be located on Lake Wylie in York County, South Carolina. In 1980, Duke, Saluda River, and NCEMC reached agreement on the terms and conditions for the role of ownership interests in Catawba Unit 1 and the support facilities. On December 22, 1980, this Commission issued Order No. 80-717 in which we amended the Certificate to reflect a transfer of an 18.75% undivided ownership interest in Unit No. 1 and a 9.375% undivided ownership interest in the support facilities of the Catawba Nuclear Station to Saluda River and a transfer of a 56.25% undivided ownership interest in Unit No. 1 and a 28.125% undivided ownership interest in the support facilities of the Catawba Nuclear Station to NCEMC.

Duke and NCEMC have now, after arms-length negotiation, reached separate agreements with Saluda River to each purchase a portion of Saluda River's interest in the Catawba Nuclear Station. The purchase agreement between Duke and Saluda River provides for Duke to purchase from Saluda River 71.96% of Saluda River's interest. The purchase agreement between NCEMC and Saluda River provides for NCEMC to purchase from Saluda River 28.04% of Saluda River's interest. Under the agreement, Duke will continue to operate Catawba Nuclear Station in accordance with designs, plans, and specifications contained in the Certificate issued by this Commission and the Operating License issued by NRC and any amendment and changes authorized by NRC. Duke and NCEMC will make payments to Saluda River pursuant to the purchase agreements.

Upon closing, Duke proposes that it will debit Account 101, Electric Plant In Service, for the original cost of the plant purchased, credit Account 108, Accumulated Depreciation, the applicable accumulated depreciation, and debit the applicable Account 120, Nuclear Fuel, sub-accounts for the related purchase of nuclear fuel. The difference between the purchase price and the recording of the cost of the plant will be recorded in Account 114, Electric Plant Acquisition Adjustments. According to the Joint Applicants, this accounting is consistent with FERC's Uniform System of Accounts, which has been adopted by this Commission.

Duke and NCEMC seek approval, pursuant to S.C. Code Ann. Section 58-33-110 (1976) to allow the Joint Applicants to close the transactions no later than September 30, 2008, which, according to them, benefits all parties.

S.C. Code Ann. Section 58-33-110(2) (1976) provides that a Certificate to construct a major utility facility may be transferred, subject to the approval of this Commission, to a person who agrees to comply with the terms, conditions and modifications contained therein. Duke and NCEMC have agreed that they are and will continue to be bound by all of the terms and conditions set forth in Order No. 17, 167. Duke and NCEMC further agree that they are and will continue to be bound by any and all lawful orders issued by this Commission in connection with the operation of Catawba Nuclear Station.

S.C. Code Ann. Section 58-33-130(2) (1976) provides that on an application for amendment of a Certificate, the Commission shall hold a hearing "if the proposed change in the facility would result in any significant increase in any environmental impact of the

facility or a substantial change in the location of all or a portion of the facility.” Because Duke already operates the facility and will continue to operate it in the same manner, there will be no increase in any environmental impact or change in location, and, accordingly, Duke, NCEMC, and Saluda River submit that a hearing is not required or needed and would serve no useful purpose. We agree with this reasoning. We also note that no Protests or Petitions to Intervene were filed in this Docket. Therefore, we grant waiver of the hearing.

The Joint Applicants contend that the purchase by Duke and NCEMC of portions of the Catawba Nuclear Station from Saluda River and the amendment of the Certificate for Catawba Nuclear Station to reflect such ownership interests are in the public interest and public convenience and necessity for several reasons:

1. Saluda River desires to sell all of its interest in Catawba Nuclear Station and Duke and NCEMC have agreed to purchase that interest based on an arms-length transaction. The continuity of operation is clearly in the public interest.
 2. The purchase of 71.96% of Saluda River’s interest will not expand Duke’s service obligation because termination of the Interconnection Agreement between Duke and Saluda River coincident with the sale of the asset eliminates all of Duke’s obligations with respect to power supply to Saluda River. Duke’s obligations with respect to transmission service for Saluda River are unchanged as a result of the purchase of Saluda River’s interest.
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3. Duke and NCEMC will be responsible for ad valorem and other applicable taxes of the State of South Carolina on the purchased interest after transfer approval.
4. Duke and NCEMC will continue to abide by Orders of this Commission issued with respect to Catawba Nuclear Station and Duke will continue to operate Catawba Nuclear Station.
5. The proposed change in the Certificate for Catawba Nuclear Station would result in no significant increase or change in any environmental impact of the facility, or a change in the location of all or a portion of the facility; therefore, additional environmental studies are unnecessary.
6. To determine the effect on its retail customers, Duke made a study to estimate the costs of the purchase of the interest of Saluda River. The results of the study showed that the purchase of 71.96% of the Saluda River interest in Catawba was the least cost resource alternative resulting in downward pressure on electric rates as compared to other potential resource options which is in the public interest.
7. Duke evaluated the purchase of 71.96% of the Saluda River interest in Catawba Nuclear Station as reflected in the Application as part of its 2006 and 2007 Integrated Resource Planning process, and determined that the addition of Saluda River's share of the Catawba Nuclear Station was a least-cost addition to the Duke generation portfolio that would benefit its customers.

Accordingly, the Joint Applicants request that this Commission issue an Order authorizing the amendment of the Certificate for Catawba Nuclear Station to reflect the purchase by Duke of 71.96% of Saluda River's interest and the purchase by NCEMC of 28.04% of Saluda River's interest, and to transfer the Certificate for Catawba Nuclear Station held by Saluda River for the same portions to Duke and to NCEMC.

We approve the Joint Application as filed, authorizing the amendment of the Certificate as requested, and approving the transfer of the Certificate held by Saluda River for the same portions to Duke and to NCEMC. The proposed accounting treatment is also approved. We agree with the reasoning stated by the Joint Applicants in the Application. The Joint Applicants have offered convincing reasons for approval of the relief sought, and the amendment and transfer are in the public interest. The relief sought is therefore granted as filed.

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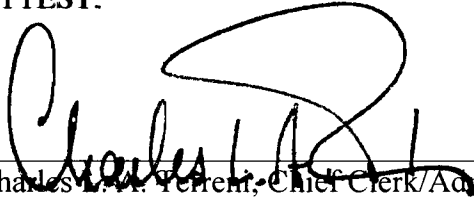
This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:



G. O'Neal Hamilton, Chairman

ATTEST:



Charles L. M. Ferrell, Chief Clerk/Administrator

(SEAL)